Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Bi-weekly Bulletin

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OATS: SITUATION AND OUTLOOK

Canada is the world's largest exporter of oats and is expected to account for 70-80% of world oat exports in 2006-2007. Oats represents about 6% of the production and exports of grains and oilseeds in Canada. The value of Canadian exports of oats and oat products increased to $224 million in 2005 from $192 million in 2004. For 2006-2007, the production of oats in Canada increased by about 10% from 2005-2006. Canadian exports, predominantly to the United States (US) food market, are expected to increase to a record high. The average price of oats is expected to increase from 2005-2006, due to the strong demand for corn in the US related to the biofuel market. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for oats.

Since 2000-2001, the world production of oats has stabilized at around 25 million tonnes (Mt) ending a 40 year decline in output resulting from the decline in on-farm feed usage following the wide-spread mechanization of farming.

World food consumption of oats is increasing slowly as consumers worldwide recognize the benefits of whole grains in health and wellness. Oats have numerous health benefits, as they are a rich source of bran, fibre and contains the complex carbohydrate beta-glucan, which is used in the manufacture of health foods. This food demand is expected to continue growing as countries such as China, a potentially huge market, discover the health benefits of oats.

The European Union (EU)-25 is the world's largest oat producing region followed by Russia, Canada, the US, and Australia. Global oat trade continues to be dominated by US demand, distantly followed by Japan and Mexico. Canada is the largest exporter, followed by the EU-25 (particularly Finland and Sweden), and Australia. Although Russia produces 20% of world production, it is not an important player in the export market as their oats are generally consumed domestically, or are of low quality and therefore not in demand.

SITUATION AND OUTLOOK 2006-2007

World production of oats is estimated by the United States Department of Agriculture (USDA) to increase to 23.9 Mt from 23.5 Mt in 2005-2006. This compares to 50 Mt in the early 1960s when the demand for oats was significantly higher due to the number of horses which were dependent on oats. Trade is forecast to decrease to 2.1 Mt from 2.2 Mt last year. The United States (US) and Japan are expected to account for 84% and 3%, respectively, of world imports in 2006-2007. Canada and the EU-25 are expected to account for 80% and 11%, respectively, of the export market share. World trade in oats has averaged 2.0 Mt over the last 10 years and, like production, is not expected to increase significantly.

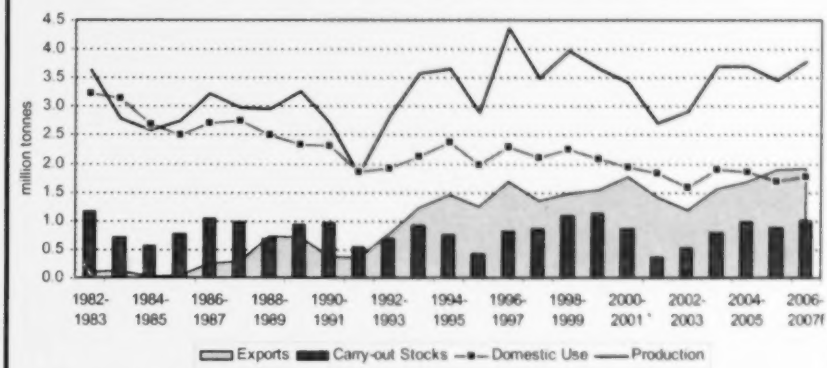
MAJOR IMPORTERS

United States

The US is the world's largest importer of oats and the fourth largest oat producer. The majority of US imports are high quality oats from Canada and the Scandinavian countries, Finland and Sweden, in the EU-25, which mainly service the performance horse feed markets. Also, some of these imports are further processed in the US and then exported as value-added oat groats to Central and South America.

US oat production is estimated to fall to a record low 1.36 Mt for 2006-2007, versus 1.67 Mt produced in 2005-2006. The hot and extremely dry conditions across the US led to very poor quality oats in several of the major production states. US imports for 2006-2007 (October-September) are expected to be the same as 2005-2006 at 1.8 Mt, or about 80% of

CANADA: OATS SUPPLY AND DISPOSITION



f: forecast, AAFC, October 2006
Source: Statistics Canada

Canada

world imports, versus 1.62 Mt in 2004-2005. About 70% of the oats produced in the US are used for on-farm feed. Only about 5% are used for milling purposes.

US oat production has historically been disadvantaged by the US farm policy and by the relatively low yields compared to competing crops. For 2006, the loan rate is US$1.33 per bushel (/bu) (US$92/t) versus US$1.95/bu (US$77/t) for corn. However, due to the lower yields, support for oats is relatively low, i.e. US$82/ac for oats versus US$295/ac for corn, based on average yields over the 2003-2006 crop year period. Similarly, the loan rate on wheat of US$2.75/bu (US$101/t) provided about US$116/ac in support, significantly higher than oats.

Japan

For 2006-2007, Japan is forecast to import 70 thousand tonnes (kt) versus the 10 year average of 80 kt. Oats are grown as a forage crop all over Japan, from Hokkaido, the northern-most island, to Kyushu, the southern-most island. Oats imported into Japan are used mainly for feed purposes. Imports from Canada for 2006-2007 are forecast at 20 kt, similar to 2005-2006 and 2004-2005.

MAJOR EXPORTERS

European Union

The EU-25 is the largest oat producing region in the world, and second largest exporter. The majority of production and virtually all exports originate in Finland and Sweden. Production in other EU-25 countries generally satisfies internal domestic demand. Oat production increased to 7.8 Mt from 7.4 Mt in 2005-2006, despite the hot and dry conditions in Scandinavia and across much of northern Europe. The United Kingdom may be the only major oat producing region in Europe to achieve near normal yields.

In general, oats from Finland and Sweden, Canada's primary competitors, are exported into the southern US where they are consumed in the performance horse market. Production in Finland and Sweden was 1.1 Mt and 0.75 Mt, respectively, in 2005-2006 and is expected to rise by 5% in 2006-2007. Exports from Scandinavia have been trending down since 1998-1999 as a result of: (a) higher returns for other crops and (b) lower demand in the US horse market resulting from the high oat prices relative to other feed grains. Due to low, weather-related, production in other member countries, the exportable surplus of oats available for the US from Finland and Sweden is expected to be historically low in 2006-2007. Consequently, EU exports (October-September) to the US for 2006-2007 are forecast by the USDA to remain historically low at 250 kt.

EU Oat Export Subsidies

EU-25 oat subsidies were introduced after Finland and Sweden joined the EU in 1995 because of the relative importance of the crop in those countries, and also to prevent oat acreage from being converted to barley production. Since barley qualifies for intervention, a larger surplus would result in costly intervention arrangements. Oats in the EU-25 are not supported by intervention prices or stocks.

WORLD: OATS SUPPLY AND DISPOSITION

local marketing year	2004 -2005	2005 -2006	2006 -2007f
	thousand tonnes		
Carry-in Stocks	3,376	3,677	3,231
Production	25,930	23,546	23,850
Total Supply	**29,306**	**27,223**	**27,081**
Total Use	**25,629**	**23,992**	**24,138**
Carry-out Stocks	3,677	3,231	2,943
Trade	**1,953**	**2,230**	**2,140**

f: forecast, USDA, October 2006
Source: USDA

The level of subsidies issued is inversely related to the Chicago Board of Trade (CBoT) price for oats. They are directly related to transportation costs, and the exchange rate. When world prices are low, a significant portion of the final selling price is represented by the subsidy. This is required to cover the costs of freight and foreign exchange, in order to be competitive in US markets.

Average oat subsidies for 2005-2006 were €20 (CAN$28.44) per tonne (/t) versus €4.59 (CAN$6.53)/t for barley. The disparity indicates the subsidization of freight and foreign exchange costs associated with transporting oats from the EU-25 to the US Gulf ports. Other factors, such as the intervention price of barley, can also have an effect.

On June 29, 2006, the EU-25's Cereal Management Committee approved 100 kt of oats from Finland and Sweden to be eligible for export refunds in the 2006-2007 crop year. The actual quantity of which subsidies will be awarded may be lower. For example, in 2005-2006, 104 kt

UNITED STATES: UTILIZATION OF OATS

The major commercial US markets for oats are:

(1) The **milling market**, which requires oats that meet stringent purity requirements, have good groat yield, uniformity, and colour (not stained). Grades normally desired are Nos. 1 and 2 Canadian Western (CW) Oats.

(2) The **performance feed market**, mainly the southern US horse market, demands the highest quality oats.

(3) The **general feed market**, mainly for beef cattle and horses is small relative to the market for barley and corn. This market is highly competitive with other feed grains, especially corn, since the market is quite price-responsive with a high degree of substitutability. The lowest value oats are generally sold in this market.

(4) A **specialty market** for oats does exist, which includes organic, birdseed, and health food markets. In recent years a market for hulless oats (bred so the hulls fall away from the groat at harvest) has emerged due to the excellent food and feed value, but these oat varieties are usually grown under contract.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

October 12, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease by 7% from 2005-06 to 62.3 million tonnes (Mt), slightly above the 10-year average of 60 Mt, based on Statistics Canada's (STC) "*September Estimate of Production of Principal Field Crops*". Yields are generally estimated to be near trend levels, although below 2005-06. Harvest in western Canada is nearly complete, well ahead of normal. All crops are expected to have a better than normal grade distribution. In western Canada, production has decreased by 9%, to 46.3 Mt due to lower yields. In eastern Canada, production is marginally above last year at 16.0 Mt.

Total supply of grains and oilseeds in Canada for 2006-07 is forecast to decrease by 1% from 2005-06, as the lower production more than offsets higher carry-in stocks. Exports are forecast to increase by 9%, mainly because of higher wheat exports. Total domestic use is expected to rise, partly due to increased use of corn and wheat for ethanol production. Carry-out stocks are expected to fall by 25%, with declines expected for all crops except for oats, flaxseed and soybeans. Canadian prices in for all crops will continue to be pressured by the strong Canadian dollar but are expected to be higher than in 2005-06, except for flaxseed and soybeans. The major factors to watch are: southern hemisphere crop development, the biofuel market, ocean freight rates and exchange rates.

DURUM WHEAT

For 2006-07, production has fallen by 40% from 2005-06, to 3.5 Mt, the lowest since 2001-02, as a result of lower seeded area and yields. The lower production is partly offset by the record 3.3 Mt carry-in stocks. Supply is down by 19%, but it remains above the 10-year average of 6.5 Mt. Exports are forecast to decrease by 9% due to lower demand from North Africa and the EU, which will be only partly offset by increased exports to the US. Carry-out stocks are forecast to fall by 39% to the 10-year average of 2.0 Mt. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for durum was raised on Sept. 28 due to tighter North American supply estimates. No.1 CWAD 11.5% returns are now expected to be $16/t higher than for 2005-06, and close to those for No.1 CWRS 11.5%.

WHEAT (excluding durum)

Production has risen by 9% to 22.8 Mt, due to increased area. Supply is up by 11% to 29.2 Mt, 4 Mt above the 10-year average. The increased production is mainly due to the record 2.7 Mt Ontario crop, with western production up by 5%. Over 90% of the CWRS crop grades No.2 or better, with protein content higher than the previous 2 years. Exports are forecast to increase by 35%, due to improved CWRS quality, record Ontario production and reduced export competition. Domestic use is forecast to rise slightly, with increased industrial use for ethanol production partly offset by lower feed use. Carry-out stocks are forecast to fall below the 10-year average of 5.5 Mt. The CWB PRO is above 2005-06 for all classes and grades, although it was lowered for high protein CWRS wheat and raised for lower quality wheat on Sept. 28. The larger than expected production and above-average quality of the North American spring wheat crop has pressured quality/protein premiums.

BARLEY

Production has fallen by 20%, due to lower area and yields, with supply down by 16%. Exports are forecast to fall by 28%, with higher malting barley exports only partly offsetting lower exports of feed barley. Despite lower exports and domestic use, ending stocks are forecast to fall sharply. The average off-Board feed barley price is projected to rise by $20/t. The CWB PRO for No. 1 CW feed barley for Pool A is $142/t, vs. $131/t for 2005-06 Pool B. The PRO for SS2R malting barley is $189/t vs. $171/t for 2005-06, due to lower exportable supplies from major competitors and strong import demand from the US.

CORN

Production has fallen by 7%, due to lower yields. Domestic supply has decreased by 4%, as larger carry-in stocks partially offset the lower production. Imports are forecast to rise sharply, due to strong demand for ethanol production and animal feed. Carry-out stocks are forecast to drop by 30%. The average Chatham price is forecast to rise by 15% due to higher US prices and lower domestic supplies.

OATS

Production has risen by 10%, mainly due to a larger area. Supply has increased by 5%, as lower carry-in stocks partly offset the higher production. Exports are forecast to rise slightly, as a result of stronger US import demand and less competition from the EU. Feed use and carry-out stocks are expected to rise. The average Chicago Board of Trade nearby futures price is forecast to increase slightly. The price premium of oats over corn is expected to be lower than in 2005-06.

CANOLA

Production has decreased by 12%, largely because of lower yields. This is partly offset by burdensome carry-in stocks and as a result supply will remain historically high. Exports are forecast to fall marginally from the 2005-06 record to 5.2 Mt. Domestic crush is forecast to increase slightly, following the expansion of some processing plants, with many of the recently announced plants not expected to begin operations until 2007-08. Carry-out stocks are forecast to fall sharply, but will remain significantly above the 10-year average. Prices are expected to rise from the low level of 2005-06, but remain under pressure from low US soybean prices.

FLAXSEED (excluding solin)

Production has fallen by 11% as lower yields more than offset higher harvested area. However, supply has increased sharply as the decrease in production was more than offset by large carry-in stocks. Exports are expected to increase slightly, with carry-out stocks forecast to rise to a burdensome 0.5 Mt, vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production has risen by 4% due to higher area. Domestic supply has increased by 10% due to higher production and carry-in stocks. As a result, imports are projected to fall by 56%. Exports are forecast to increase to a record high on the strength of market development efforts for edible soybeans. Domestic crush is expected to increase slightly. Prices are forecast to decline under pressure from higher carry-out stocks and lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

October 12, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
	thousand ha		*t/ha*	*thousand metric tonnes*								*$/t*
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	570	1,047	2,487	201
2005-2006	2,341	2,297	2.58	5,915	1	8,402	4,269	252	451	867	3,266	181*
2006-2007F	1,724	1,700	2.08	3,538	1	6,805	3,900	255	460	905	2,000	197*
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,525	8,175	5,435	190
2005-2006	7,753	7,530	2.77	20,860	23	26,318	11,498	2,797	4,648	8,343	6,477	181*
2006-2007F	8,953	8,850	2.57	22,751	19	29,247	15,500	3,200	4,295	8,347	5,400	198*
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,095	9,221	7,922	
2005-2006	10,094	9,826	2.72	26,775	23	34,720	15,768	3,049	5,099	9,209	9,743	
2006-2007F	10,677	10,550	2.49	26,289	20	36,052	19,400	3,455	4,755	9,252	7,400	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,417	10,073	3,435	112
2005-2006	4,440	3,889	3.21	12,481	46	15,962	2,973	155	9,204	9,700	3,289	110
2006-2007F	3,871	3,408	2.94	10,011	40	13,340	2,150	260	8,915	9,590	1,600	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,419	12,399	229	2,395	7,961	10,368	1,802	100
2005-2006	1,124	1,096	8.63	9,461	1,906	13,168	281	2,220	8,654	10,886	2,001	9[illegible]
2006-2007F	1,122	1,100	8.02	8,823	2,600	13,424	200	3,000	8,809	11,824	1,400	100-120
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,574	1,848	974	131
2005-2006	1,853	1,326	2.59	3,432	20	4,427	1,877	80	1,431	1,678	872	144
2006-2007F	2,002	1,498	2.52	3,782	15	4,669	1,900	100	1,498	1,769	1,000	140-160
Rye												
2004-2005	284	165	2.53	418	1	462	122	48	145	210	130	68
2005-2006	226	148	2.42	359	1	490	123	48	132	197	170	81
2006-2007F	151	144	2.33	335	1	506	110	48	191	256	140	85-105
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	110	2.87	316	0	316	0	0	316	316	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,046	3,889	2,828	19,414	22,817	6,341	
2005-2006	7,852	6,568	3.96	26,036	1,973	34,350	5,255	2,503	19,723	22,764	6,331	
2006-2007F	7,375	6,260	3.72	23,267	2,656	32,254	4,360	3,408	19,728	23,754	4,140	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	375	3,446	1,587	309
2005-2006	5,491	5,283	1.83	9,660	140	11,386	5,412	3,423	492	3,956	2,019	278
2006-2007F	5,324	5,259	1.61	8,485	150	10,654	5,200	3,450	409	3,904	1,550	285-315
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	157	24	n/a
2005-2006	842	803	1.35	1,082	38	1,144	537	n/a	n/a	271	336	276
2006-2007F	838	829	1.16	959	20	1,315	550	n/a	n/a	265	500	245-285
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006	1,176	1,169	2.70	3,161	339	3,770	1,326	1,493	327	1,949	495	220
2006-2007F	1,240	1,232	2.67	3,293	150	3,938	1,350	1,550	338	1,988	600	185-225
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,792	1,880	
2005-2006	7,510	7,255	1.92	13,904	516	16,300	7,274	n/a	n/a	6,176	2,850	
2006-2007F	7,402	7,320	1.74	12,737	320	15,907	7,100	n/a	n/a	6,157	2,650	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,675	23,702	n/a	n/a	37,830	16,143	
2005-2006	25,456	23,650	2.82	66,715	2,512	85,370	28,296	n/a	n/a	38,149	18,924	
2006-2007F	25,454	24,130	2.58	62,293	2,996	84,213	30,860	n/a	n/a	39,163	14,190	

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use.

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 13.5% protein and No.1 CWAD 13.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures), Rye (No.1 CW, I/S Saskatoon), Canola (No. 1 Canada, WCE, cash, I/S Vancouver), Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay), Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook – September 28, 2006.

F: Forecast. Agriculture and Agri-Food Canada — October 12, 2006.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007.

Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

CANADA: PULSE AND SPECIAL CROPS OUTLOOK

October 12, 2006

For 2006-07, total Canadian production of pulse and special crops is estimated to decrease by 19%, from 2005-06, to 4.3 million tonnes (Mt), based on Statistics Canada's (STC) September production estimates and AAFC forecasts where STC estimates were not available. Estimated yields are lower than trend for dry peas, lentils, chickpeas mustard seed, canary seed and buckwheat, but higher for dry beans and sunflower seed. Crop abandonment is estimated to be lower than normal. Harvest progress is ahead of 2005-06 and ahead of normal, with combining generally complete, except for dry beans in eastern Canada and canary seed, sunflower seed and buckwheat in western Canada. Quality is expected to be, in general, normal to higher than normal. The risk of frost damage is low for unharvested fields due to the advanced stage of development.

Total supply is estimated to decrease by 13% to 5.85 Mt, as higher carry-in stocks partly offset the decrease in production. Exports and carry-out stocks are forecast to decrease because of the lower supply, while domestic use increases slightly. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are Canadian weather conditions, especially precipitation, during the remainder of the harvest period. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing and harvest conditions in other major producing countries, especially the United States, Australia, India and Mexico.

DRY PEAS

For **2006-07**, production and supply are estimated to decrease, as lower yields more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is forecast to decrease by 6% to 11.5 Mt because of lower production and lower carry-in stocks. Canadian exports are forecast to decrease because of the lower Canadian supply and lower demand in EU feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 10%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to the lower supply.

LENTILS

For **2006-07**, production and supply are estimated to decrease due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are estimated to be high for green lentils, but low for red lentils. World supply is forecast to decrease by 6% to 4.31 Mt. Canadian exports are expected to increase because of a higher supply of red lentils and lower production in some competing countries. Carry-out stocks are forecast to decrease, with a s/u of 15%. The average price is forecast to increase for green lentils, as the world supply of green lentils decreases, but remain stable for red lentils, in line with the relatively stable world supply of red lentils. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For **2006-07**, production and supply are estimated to increase, as an 11% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for white pea, Great Northern, pinto and black beans, decrease for light and dark red kidney and cranberry beans, and remain stable for pink and small red beans. In the US, production is expected to fall by 15% to 1.01 Mt, while supply decreases by only 11% to 1.185 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply and strong demand. Carry-out stocks are expected to increase, with a s/u of 12%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply, increased share of lower priced classes of beans in total production, and the stronger Canadian dollar.

CHICKPEAS

For **2006-07,** production and supply are estimated to increase, as an 82% higher seeded area more than offsets lower yields. Production is expected to increase for all types, large kabuli, small kabuli and desi. World supply is expected to remain stable at 9.1 Mt, as an increase for the kabuli type is offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 14%. The average price, over all types and grades, is forecast to fall due to the higher world supply of the kabuli type, which accounts for about 87% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For **2006-07**, production and supply are estimated to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is estimated to be low quality seed. Exports are expected to rise slightly due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 51%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For **2006-07**, production and supply are estimated to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 20% to 348,000 t. Canadian exports are expected to decrease slightly because of higher prices, while carry-out stocks decrease sharply, with a s/u of 52%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For **2006-07**, production and supply are estimated to increase as a 13% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 29% to 1.39 Mt. Canadian exports are forecast to increase because of the higher supply and strong demand. Carry-out stocks are expected to increase, with a s/u of 22%. The average price, over both types, is forecast to increase because of the lower total US and Canadian supply.

BUCKWHEAT

For **2006-07**, Canadian production and supply are forecast to remain stable, as a higher seeded area is offset by lower yields. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

October 12, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e)
	thousand ha		t/ha	thousand metric tonnes						$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006	1,366	1,319	2.35	3,100	75	3,770	2,566	724	480	120
2006-2007f	1,420	1,386	1.99	2,753	80	3,313	2,200	813	300	120-150
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006	884	862	1.48	1,278	8	1,531	669	387	475	230
2006-2007f	587	571	1.18	673	10	1,158	710	298	150	260-290
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006	197	175	1.85	324	39	368	284	49	35	495
2006-2007f	176	176	2.01	353	25	413	315	53	45	465-495
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006	79	73	1.42	104	7	116	64	42	10	490
2006-2007f	144	142	1.06	150	5	165	100	45	20	460-490
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006	212	206	0.98	201	0	395	133	72	190	265
2006-2007f	140	132	0.91	120	1	311	135	71	105	290-320
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	37	168	230
2005-2006	190	186	1.22	227	0	395	185	20	190	195
2006-2007f	125	123	0.96	118	0	308	180	23	105	215-245
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006	93	75	1.19	89	26	133	46	60	27	345
2006-2007f	81	74	1.65	122	20	169	75	64	30	345-375
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006	7	6	1.33	8	1	9	4	5	0	355
2006-2007f	10	9	0.89	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,705	1,230	
2005-2006	3,028	2,902	1.84	5,331	156	6,717	3,951	1,359	1,407	
2006-2007f	2,683	2,613	1.64	4,297	142	5,846	3,719	1,372	755	

(a) August-July crop year

(b) Excludes products

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, October 12, 2006

Source: Statistics Canada and industry consultations

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 16, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 16, 2006	FOB	190.00	N/A	169.00	187.25		264.00	169.50	130.00		987.50	520.00					385.00
BC (4) (7)	October 10, 2006		180.00	N/A	148.00	161.50		245.50	114.00	120.00		987.50	520.00					385.00
Calgary	October 16, 2006	FOB	160.00	N/A	145.00	170.00		253.50			140.00	1050.00	430.00					370.00
AB (4)	October 10, 2006		141.00	N/A	130.00	153.00		245.50			150.00	1050.00	430.00					370.00
Saskatoon	October 16, 2006	FOB	124.50	162.00	112.50	160.00		258.00	N/A		150.00	N/A	430.00			145.00		380.00
SK (4)	October 10, 2006		114.50	146.00	105.00	140.00		250.00	N/A		160.00	N/A	430.00			123.50		380.00
Winnipeg	October 16, 2006	FOB	157.50	140.00	122.00	150.00		240.00	N/A		255.00	1112.50	515.00					380.00
MB (4) (9)	October 10, 2006		159.00	140.00	121.00	135.00		232.00	N/A		255.00	1112.50	515.00					380.00
Thunder Bay	October 16, 2006	In-Store	145.00	N/A	124.00													
ON (8)	October 10, 2006		140.00	N/A	117.05													
Lake Ports	October 16, 2006	On Board				137.16												
USA (3)	October 10, 2006	Vessel				124.83												
Bay Ports	October 16, 2006	In-Store	189.00	200.00	120.00													
ON	October 10, 2006		180.00	200.00	120.00													
Chatham	October 16, 2006	Track				139.72												
ON	October 10, 2006					123.83												
Toronto	October 16, 2006	N/A					FOB				204.00		415.00	N/A	N/A		285.00	290.00
ON (5)	October 10, 2006										204.00		395.00	N/A	N/A		285.00	290.00
Hamilton	October 16, 2006	N/A						247.69	N/A									
ON	October 10, 2006							235.56	N/A									
Eastern	October 16, 2006	FOB				129.00												
ON	October 10, 2006					120.50												
London	October 16, 2006	FOB												340.00	75.00			
ON	October 10, 2006													340.00	75.00			
Port Colborne	October 16, 2006	FOB								63.50				340.00	75.00			
ON	October 10, 2006									63.50				340.00	75.00			
Cardinal	October 16, 2006	FOB												345.00	90.00			
ON	October 10, 2006													345.00	90.00			
Montreal	October 16, 2006		202.00	165.00	166.00	167.00		262.93	180.63	101.67	180.00	N/A	440.00	N/A	N/A		270.00	360.00
QC (5)	October 10, 2006		185.00	165.00	145.00	149.00	FOB	250.16	168.25	98.33	180.00	N/A	429.00	N/A	N/A		270.00	360.00
Trois-Rivières	October 16, 2006	In-Store	220.00		176.00	167.12												
QC	October 10, 2006		197.00		159.70	153.34												
St. Jean QC (2)	October 16, 2006	FOB	175.67	150.00	149.00	152.41		253.12										
St. Hyacinthe QC	October 10, 2006		175.80	143.40	146.40	144.48		246.28										
Quebec	October 16, 2006	In-Store	207.40	N/A	168.77	163.27		266.35	180.80									
QC	October 10, 2006		186.00	N/A	165.41	146.51		255.54	164.33									
Truro	October 16, 2006	Track	239.90	N/A	198.01	174.52		280.59	195.08		262.10		598.00					290.00
NS	October 10, 2006		231.02	N/A	198.01	164.64	FOB	283.38	195.08		262.10		598.00					310.00
Truro	October 16, 2006	Water	N/A	N/A	N/A	N/A												
NS	October 10, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	October 16, 2006	In-Store	216.00	N/A	N/A	177.90		290.40	239.00	297.50		N/A						
NS (6)	October 10, 2006		205.63	N/A	N/A	169.00		290.40	238.90	297.50		N/A						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close **US$1.00 = CAN$ 1.1367** **Closing date October 13/2006**

Contact: André Doumbé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS. (2) Canadian Corn #3 or #2. (3) US Corn. (4) Fish Meal from West Coast 63% Protein. (5) Fish Meal 60% Protein. (6) Herring Fish Meal. (7) Fraser Valley. (8) Wheat & Barley (Basis - Cash Price WCE). (9) Oats 3CW.

B. CASH PRICES AND REPLACEMENT VALUES

October 16, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week October 16, 2006	Last week October 2, 2006	Month ago September 18, 2006	Year Ago October 17, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	150.00	130.00	110.00
(CBOT)		Oat	236.50	206.25	200.50	167.25
(Lethbridge)		Barley	149.00	132.00	120.00	107.50
To: Bayport, ON (1)	In-store	Wheat	183.61	173.61	153.61	133.61
		Oat	N/A	N/A	N/A	N/A
		Barley	176.39	159.39	147.39	134.89
Montreal, QC (1)	In-store	Wheat	188.03	178.03	158.03	138.03
		Oat	N/A	N/A	N/A	N/A
		Barley	181.31	164.31	152.31	139.81
Moncton, NB	Truck via Halifax	Wheat	210.25	200.25	180.25	160.25
		Oat	N/A	N/A	N/A	N/A
		Barley	205.50	188.50	176.50	164.00
Truro, NS	Truck via Halifax	Wheat	204.22	194.22	174.22	154.22
		Oat	N/A	N/A	N/A	N/A
		Barley	203.00	186.00	174.00	161.50
Halifax, NS (1)	In-store	Wheat	195.28	185.28	165.28	145.28
		Oat	N/A	N/A	N/A	N/A
		Barley	189.30	172.30	160.30	147.80
Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	248.63	228.63	208.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week October 16, 2006	Last Week October 2, 2006	Month Ago September 18, 2006	Year Ago October 17, 2005
Corn						
From: US Lake Port	On Board Vessel		137.16	113.06	104.34	85.65
To: Montreal, QC (1)	In-store		156.20	132.10	123.38	104.69
From: Chicago (IL)	Track		136.26	109.55	100.82	84.95
To: Montreal, QC	Track		165.12	138.41	129.68	113.81
From: Chatham, ON	Track		139.72	112.90	107.25	109.97
To: Montreal, QC	Track		163.59	136.77	131.12	133.84
Soymeal 48% Protein						
From: Hamilton, ON			247.69	228.07	216.60	252.84
To: Montreal, QC	Track		272.02	252.40	240.93	277.17
Moncton, NB	Track		290.77	271.15	259.68	295.92
Truro, NS	Track		293.99	274.37	262.90	299.14
Stephenville, NL	Track / Truck via Sydney		342.62	323.00	311.53	347.77

1 Prices include ONE month of storage and interest charges n/a = not available

2 Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No 1 Canada Western Barley, No 2 Canada Yellow Corn, No 3 US Yellow Corn
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivieres and Quebec
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 2, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 2, 2006	FOB	180.00	N/A	148.00	161.50		243.50	114.00	120.00		987.50	520.00					385.00
BC (4) (7)	September 25, 2006		170.00	N/A	144.00	156.00		240.50	142.00	120.00		1000.00	520.00					375.00
Calgary	October 2, 2006	FOB	141.00	N/A	130.00	148.00		239.00			150.00	1050.00	430.00					360.00
AB (4)	September 25, 2006		132.00	N/A	126.00	146.00		237.00			150.00	1050.00	430.00					340.00
Saskatoon	October 2, 2006	FOB	114.50	146.00	105.00	138.00		243.00	N/A		160.00	N/A	430.00			123.50		370.00
SK (4)	September 25, 2006		114.50	146.00	105.00	136.00		242.50	N/A		160.00	N/A	430.00			123.50		360.00
Winnipeg	October 2, 2006	FOB	153.00	140.00	117.50	129.00		225.50	N/A		255.00	1112.50	515.00					380.00
MB (4) (9)	September 25, 2006		147.50	140.00	115.50	126.00		224.50	N/A		255.00	1112.50	515.00					380.00
Thunder Bay	October 2, 2006	In-Store	131.90	N/A	116.00													
ON (8)	September 25, 2006		132.50	N/A	113.95													
Lake Ports	October 2, 2006	On Board				113.06												
USA (3)	September 25, 2006	Vessel				110.06												
Bay Ports	October 2, 2006	In-Store	178.00	200.00	130.00													
ON	September 25, 2006		172.00	200.00	130.00													
Chatham	October 2, 2006	Track				112.90												
ON	September 25, 2006					110.00												
Toronto	October 2, 2006	N/A					FOB				204.00		385.00	N/A	N/A		285.00	290.00
ON (5)	September 25, 2006										204.00		385.00	N/A	N/A		285.00	292.50
Hamilton	October 2, 2006	N/A						228.07	N/A									
ON	September 25, 2006							228.45	N/A									
Eastern	October 2, 2006	FOB				111.00												
ON	September 25, 2006					103.25												
London	October 2, 2006	FOB												340.00	75.00			
ON	September 25, 2006													340.00	75.00			
Port Colborne	October 2, 2006	FOB								59.00				340.00	75.00			
ON	September 25, 2006									58.00				340.00	75.00			
Cardinal	October 2, 2006	FOB												345.00	90.00			
ON	September 25, 2006													345.00	90.00			
Montreal	October 2, 2006		180.00	165.00	145.00	125.00		243.79	164.70	86.67	180.00	N/A	429.00	N/A	N/A		270.00	360.00
QC (5)	September 25, 2006		170.00	165.00	145.00	130.00	FOB	240.91	167.20	85.00	180.00	N/A	429.00	N/A	N/A		270.00	360.00
Trois-Rivières	October 2, 2006	In-Store	174.00		155.20	139.56												
QC	September 25, 2006		177.00		160.90	135.92												
St. Jean QC (2)	October 2, 2006	FOB	161.25	143.50	131.55	130.66		200.79										
St. Hyacinthe QC	September 25, 2006		150.00	140.25	129.23	130.23		229.51										
Quebec	October 2, 2006	In-Store	181.00	N/A	157.37	132.53		248.04	161.83									
QC	September 25, 2006		173.00	N/A	165.42	136.49		238.26	164.00									
Truro	October 2, 2006	Track	218.81	N/A	170.51	160.33		273.30	194.41		262.10		587.00					340.00
NS	September 25, 2006		218.81	N/A	170.51	159.72	FOB	277.12	194.41		262.10		587.00					340.00
Truro	October 2, 2006	Water	N/A	N/A	N/A	N/A												
NS	September 25, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	October 2, 2006	In-Store	198.75	N/A	N/A	162.90		290.40	231.50	297.50		N/A						
NS (6)	September 25, 2006		196.25	N/A	N/A	161.05		290.40	237.45	297.50		N/A						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US$1.00 = CAN$ 1.1153 **Closing date September 29/2006**

Contact: André Doumbè Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 2, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week October 2, 2006	Last week September 18, 2006	Month ago September 5, 2006	Year Ago October 3, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	150.00	130.00	128.00	108.00
(CBOT)		Oat	206.25	200.50	183.75	161.50
(Lethbridge)		Barley	132.00	120.00	113.00	107.00
To: Bayport, ON (1)	In-store	Wheat	173.61	153.61	151.61	131.61
		Oat	N/A	N/A	N/A	N/A
		Barley	159.39	147.39	140.39	134.39
Montreal, QC (1)	In-store	Wheat	178.03	158.03	156.03	136.03
		Oat	N/A	N/A	N/A	N/A
		Barley	164.31	152.31	145.31	139.31
Moncton, NB	Truck via Halifax	Wheat	200.25	180.25	178.25	158.25
		Oat	N/A	N/A	N/A	N/A
		Barley	188.50	176.50	169.50	163.50
Truro, NS	Truck via Halifax	Wheat	194.22	174.22	172.22	152.22
		Oat	N/A	N/A	N/A	N/A
		Barley	186.00	174.00	167.00	161.00
Halifax, NS (1)	In-store	Wheat	185.28	165.28	163.28	143.28
		Oat	N/A	N/A	N/A	N/A
		Barley	172.30	160.30	153.30	147.30
Stephenville, NL	Track / Truck via Sydney	Wheat	248.63	228.63	226.63	206.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

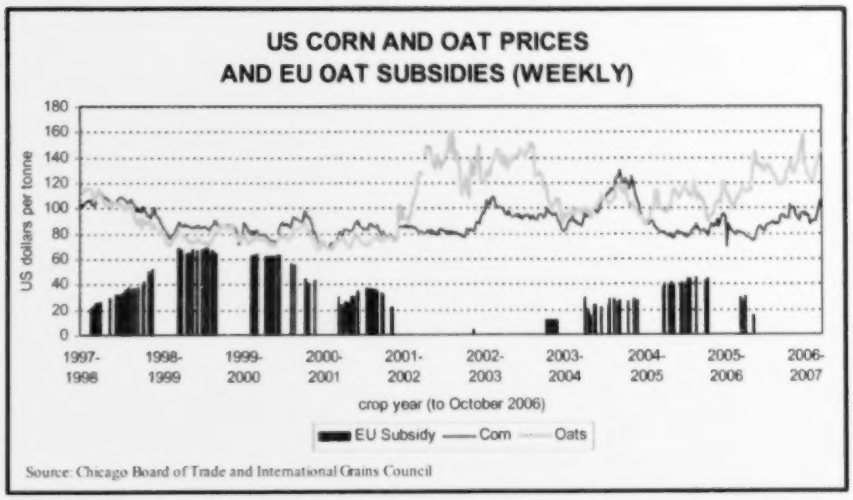
Selected Points	Price Basis		This week October 2, 2006	Last Week September 18, 2006	Month Ago September 5, 2006	Year Ago October 3, 2005
Corn						
From: US Lake Port	On Board Vessel		113.06	104.34	98.13	82.51
To: Montreal, QC (1)	In-store		132.10	123.38	117.17	101.55
From: Chicago (IL)	Track		109.55	100.82	100.77	84.79
To: Montreal, QC	Track		128.41	129.68	129.63	113.65
From: Chatham, ON	Track		112.90	107.25	105.62	110.07
To: Montreal, QC	Track		136.77	131.12	129.49	133.94
Soymeal 48% Protein						
From: Hamilton, ON			228.07	216.60	207.01	246.09
To: Montreal, QC	Track		252.40	240.93	231.34	270.42
Moncton, NB	Track		271.15	259.68	250.09	289.17
Truro, NS	Track		274.37	262.90	253.31	292.39
Stephenville, NL	Track / Truck via Sydney		323.00	311.53	301.94	341.02

1 Prices include ONE month of storage and interest charges n/a = not available

2 Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5624 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No 1 Canada Western Barley, No 2 Canada Yellow Corn, No 3 US Yellow Corn
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



was the eligible volume, but only about 82 kt actually received refunds. To date, EU export subsidies on oats have been nil and are not expected to be significant for 2006-2007.

CANADA

Production is estimated to increase to 3.8 Mt, from 3.4 Mt for 2005-2006 due to an 8% rise in seeded area and a return to normal abandonment rates. However, yields are expected to decline to 2.52 tonnes per hectare (t/ha) versus 2.59 t/ha from 2005-2006. Production in Manitoba recovered and increased by 121% to 0.98 Mt due to higher seeded area, low abandonment and higher yields. Production in Saskatchewan increased slightly from last year to 1.7 Mt, while production in Alberta decreased by 27% to 0.6 Mt. The quality of the crop is expected to be normal in western Canada including Manitoba where the impact of the dry weather on quality is less severe than previously expected. Total supplies are expected to increase by 5%, as the higher production more than offsets the drop in carry-in stocks.

Exports (including products) are projected to rise to 1.90 Mt from 1.88 Mt in 2005-2006 on support from strong US demand. Exports of processed oats have increased in recent years. Imports of Canadian oats satisfies most of US food (milling) import demand, with a small portion sometimes directed to the Midwest feed market. The majority of exports go to Minnesota, Nebraska, and Iowa. High quality, performance feed oats are also exported from eastern producing provinces to the eastern states of the US.

Manitoba and Saskatchewan have controlled about 50% and 40% of the export market, respectively. Alberta has also played an important, although smaller, role in exports to the US. Exports to Japan, which averaged about 20 kt over the last 10 years, are usually filled by Alberta's oats due to its proximity to the West Coast.

CANADA: OATS SUPPLY AND DISPOSITION

crop year *August-July*	2004 -2005	2005 -2006	2006 -2007f
Seeded Area (kha)	1,995	1,853	2,002
Harvested Area (kha)	1,315	1,326	1,498
Yield (t/ha)	2.80	2.59	2.52
	.....thousand tonnes.....		
Carry-in Stocks	788	975	872
Production	3,683	3,432	3,782
Imports	26	20	15
Total Supply	**4,497**	**4,427**	**4,669**
Food & Industrial Use	118	80	100
Feed, Waste & Dockage	1,574	1,431	1,488
Seed and Other Use	156	167	171
Total Domestic Use	**1,848**	**1,678**	**1,769**
Exports (includes products)	1,675	1,877	1,900
Carry-out Stocks	**975**	**872**	**1,000**
US No.2 Heavy, nearby CBoT (US$/t)	131	144	140-160

f: forecast, AAFC, October 2006
Source: Statistics Canada

Prices

For 2006-2007, CBoT prices for nearby oat futures are forecast to increase from 2005-2006 to CAN$150/t. The premium for oats over corn is expected to decrease. The premium for high quality oats is expected to increase. Additional support for prices is provided by historically low exports from Scandinavia and high US corn prices, related to rising ethanol production.

OUTLOOK

For 2007-2008, world production of oats is expected to increase slightly as lower production in the US is more than offset by higher production in the EU-25, Canada and Australia. In the **US**, farmers are expected to shift some area out of oats into corn and wheat because of the strong demand for biofuel. Consequently, US production is expected to decrease causing the import demand for Canadian food oats to rise. Consequently, Canadian exports of oats to the Minnesota/Wisconsin and South Eastern regions of the US are expected to rise slightly. In the **EU-25**, production is expected to increase due to higher yields as growing conditions return to normal. EU oat exports are expected to increase slightly but it is not expected to be an aggressive user of export subsidies.

In Canada, area seeded to oats is expected to increase due to high prices. Oat production is expected to increase slightly due to higher area harvested and yields, assuming normal weather and growing conditions. The total supply of oats in Canada is expected to rise as higher carry-in stocks supplement the increased output. Domestic consumption of oats is expected to rise as a result of higher feeding and food and industrial use. Exports are expected to decline slightly resulting in carry-out stocks remaining unchanged from the previous crop year. The price of oats is expected to remain strong.

Over the medium-term, prices are expected to rise on support from the rapidly expanding biofuels market. This will place further, continuous demand on corn, leading to a bullish outlook for corn, and hence oat, prices.

SASKATCHEWAN OAT CHECK-OFF PROGRAM

The Government of Saskatchewan, at the industry's request, has established the producer-directed Saskatchewan Oat Development Commission (SODC). The Commission's function is to increase the profitability of producers through market development, improved production practices, support for research on improved varieties. The SODC will be financed through a mandatory refundable check-off at the point of sale, set at $0.50/t, and is expected to generate approximately $350,000 per year. The check-off will be applied to all oats grown in Saskatchewan, excluding those grown for on-farm use. However, producers may request a refund twice per year. The check-off program started on August 1, 2006. The same program has been proposed in Manitoba but, on two occasions, producer support narrowly failed to reach the 60% approval rate required in Manitoba. Alberta has not instituted a check-off program to date.

Research and Funding

In 1996, millers and seed companies formed the Prairie Oat Breeding Consortium in partnership with Agriculture and Agri-Food Canada (AAFC). A joint federal-private sector oat breeding and development program was set up in Winnipeg. It is, however, dependent on federal infrastructure, facilities and oat experts, with some funding from private sector professionals.

The consortium's goal is to contribute to the stability and competitiveness of oat production in Canada, hitherto accomplished by the development and release of oat varieties that are adapted to the Canadian prairies, and that possess the processing and nutritional requirements desired by the industry and consumers. Other organizations, such as the Prairie Oat Growers' Association (POGA), a farmer association, are similarly dedicated to oats, but promote profitable production via education.

Funding for oat research by the USDA is higher than AAFC funding, which ranges between CAN$1.0-1.5 million per year. Public funding for crop research in general has been declining, with contributions specifically towards oat research declining more rapidly.

Over the last four years, the complement of oat-specific breeders has been reduced from four (federal) positions to two positions, one located at the Cereal Research Centre (CRC) in Winnipeg, the only federal oat breeding initiative left in western Canada. The other is located at the Eastern Cereal and Oilseeds Research Centre (ECORC) in Ottawa. The Cereal Development Centre (CDC) at the University of Saskatchewan is a provincial initiative but also conducts research on barley. The new oat check-off program in Saskatchewan will likely prove to be beneficial to the CDC in the future.

In eastern Canada, there is currently one oat breeder for AAFC located in Ottawa. The primary objective of this facility is to develop higher yielding, disease resistant varieties for all the eastern provinces.

Hands-on private sector oat breeding is limited, but there is significant involvement in private sector funding towards oat research. Overall, 80% of agricultural research and development in Canada is performed in universities or in government facilities.

The most important attribute of eastern prairie adapted varieties is resistance to Stem, Leaf, or Crown rust, the most important diseases causing significant losses in oat production in western Canada. These diseases evolve over time into new, more virulent strains that can overcome the rust-resistance of present cultivars, requiring continuous, dynamic research to produce new rust-resistant varieties. Successful production in western Canada continues to depend on, and result from, the use and development of these varieties, that possess and surpass market-specific requirements.

The consortium-AAFC partnership and the continuation of progressive oat research, is highly advantageous to producers because it provides a consistent, high quality, and therefore high demand, oat for farmers to produce and market.

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